

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

KEYSPAN ENERGY DELIVERY NEW ENGLAND
RESPONSE TO
ATTORNEY GENERAL'S FIRST SET OF INFORMATION REQUESTS

D.T.E. 06-54

Respondent: Elizabeth D. Arangio

Date: September 12, 2006

Information Request AG-1-11

- Q. Explain why the Company sought Siting Council approval of expansions to its facilities before it sought approval of the Precedent Agreement in this docket.**
- A. Please see the response to Information Request AG 1-9, discussing the evolution of discussions with Algonquin on the overall project to upgrade service capabilities for Cape Cod. The consensus reached with Algonquin as to the optimum alternative for obtaining incremental capacity and supply for the Cape Cod service area encompassed four main elements: (1) the construction by KeySpan of 13.1 miles of new high-pressure distribution line on Cape Cod in the Towns of Sandwich, Barnstable, Yarmouth, Dennis and Harwich to allow for the distribution of incremental supplies across the Cape Cod service area (referred to as the "Sagamore Line Reinforcement Project"); (2) arrangements by Algonquin for a third canal crossing; (3) the construction by Algonquin of a three-mile extension of its G Lateral facilities; and (4) the procurement of incremental transportation capacity on the Algonquin G Lateral system serving southeastern Massachusetts to deliver incremental volumes from Mendon, MA to an interconnection point with the Company's Sagamore Line Reinforcement Project.

The timing of the Company's request for Siting Board approval of the Sagamore Line Reinforcement Project and Department approval of the Precedent Agreement with Algonquin were dependent upon and impacted by a number of factors. Specifically, the timing of the Company's Siting board application was primarily driven by the Company's anticipated construction schedule. At the time of its filing in June 2005, the Company expected to begin construction of the Sagamore Replacement Project in the summer/fall of 2006. Because the Siting Board review process typically takes 11- 12 months an early June 2005 filing was necessary. With regards to the Algonquin arrangement, although the Company had reached an agreement in principle with Algonquin by the time the Siting board application was filed in June of 2005, that agreement could not be completed, nor could the final rate be negotiated, until Algonquin was able to

finalize its negotiations with Mirant to secure capacity across the canal. It was not until months later that Algonquin completed those negotiations. Moreover, the Company recognized that it had additional time to finalize its arrangements with Algonquin and seek Department approval because the G-lateral project was not anticipated to be in service until November of 2007.